

Hearing Date: February 13, 2019
Hearing Time: 12:00 p.m.
Hearing Place: Syracuse, New York

UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF NEW YORK

In re:)
)
) Case Nos.
CENTERSTONE LINEN SERVICES, LLC,) 18-31754 (main case)
ATLAS HEALTH CARE LINEN SERVICES CO., LLC,) 18-31753
ALLIANCE LAUNDRY & TEXTILE SERVICE, LLC,) 18-31755
ALLIANCE LAUNDRY AND TEXTILE SERVICE OF) 18-31756
ATLANTA, LLC, and)
ALLIANCE LTS WINCHESTER, LLC) 18-31757
d/b/a *Clarus Linen Systems*¹,)
) Chapter 11 Cases
Debtors.) Jointly Administered
)
)

STATEMENT BY DEBTOR ALLIANCE LAUNDRY & TEXTILE SERVICE, LLC d/b/a CLARUS LINEN SYSTEMS (I) IN FURTHER SUPPORT OF MOTION TO APPROVE ASSET SALE UNDER SECTIONS 105(a), 363 AND 365 OF THE BANKRUPTCY CODE AND (II) TO REPORT RESULTS OF FEBRUARY 7, 2019 AUCTION SALE

Debtor Alliance Laundry & Textile Service, LLC ("Alliance"), by and through its counsel, respectfully sets forth as follows:

1. Alliance submits this Statement in further support of the Sale Motion (defined below) and to advise the Court of the efforts undertaken by Alliance and its investment banker, SSG Advisors, LLC ("SSG"), to market and sell substantially all of

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Centerstone Linen Services, LLC d/b/a Clarus Linen Systems (5594) ("Centerstone"); Atlas Health Care Linen Services Co., LLC d/b/a Clarus Linen Systems (2681) ("Atlas"); Alliance Laundry & Textile Service, LLC d/b/a Clarus Linen Systems (8284) ("Alliance"); Alliance Laundry and Textile Service of Atlanta, LLC d/b/a Clarus Linen Systems (4065) ("Atlanta"); and Alliance LTS Winchester, LLC d/b/a Clarus Linen Systems (0892) ("Winchester").

Alliance's assets, and to report on the results of the February 7, 2019 auction sale conducted by the Debtors and SSG with regard to the assets. Attached hereto as Exhibit "A" is the Declaration of SSG investment banker Robert C. Smith (the "Smith Declaration") dated February 11, 2019 which further describes, in detail, the marketing and sale efforts. Mr. Smith will appear at the February 13 Sale Hearing to testify concerning the sale process and respond to any questions that the Court or other parties may have.

2. On December 19, 2018 (the "Petition Date"), Alliance and four of its affiliates (collectively, the "Debtors") commenced the captioned cases (the "Chapter 11 Cases") by filing separate voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the Northern District of New York. Since the Petition Date, the Debtors have continued in the possession of their assets and respective business operations as debtors in possession under sections 1107 and 1108 of the Bankruptcy Code. The Debtors' cases are being jointly administered pursuant to Orders of Joint Administration entered by the Court on December 20, 2018.

3. Alliance is a leading provider of high-quality linen rental and commercial laundry services to the healthcare industry, primarily supplying scrubs, sheets, towels, blankets, patient apparel and other linen products to hospitals and healthcare clinics via long-term contacts. Alliance currently operates three production facilities in two states, one each in Spartanburg, South Carolina, Albany, Georgia and East Point (suburban Atlanta), Georgia, that provide daily pick-ups and deliveries to its customers.

4. On January 10, 2019, the Office of the United States Trustee appointed a three-member Official Committee of Unsecured Creditors (the “Committee”) in the Chapter 11 Cases.

5. On December 19, 2018, Alliance and Crown Health Care Laundry Services, LLC (“Crown”) entered into an Asset Purchase Agreement (the “Crown APA”) pursuant to which Crown sought to purchase substantially all of Alliance’s assets located at its Spartanburg, South Carolina and Albany, Georgia locations and to acquire certain executory customer contracts (the “Crown Assets”). Certain assets were expressly deemed Excluded Assets under the Crown APA, including all equipment located at Alliance’s East Point, Georgia facility (the “Atlanta PP&E”).

6. On December 21, 2018, Alliance filed a *Motion for Orders (A)(i) Authorizing the Sale of Substantially All of Alliance’s Assets, Free and Clear of All Liens, Claims, Interests and Encumbrances, Subject to the Terms of the Asset Purchase Agreement and Subject to Higher and/or Better Offers; (ii) Authorizing and Approving the Form of a Certain Asset Purchase Agreement with Crown Health Care Laundry Services, LLC; and (iii) Authorizing Alliance to Consummate All Transactions Related to the Proposed Sale; (B) Approving Bidding Procedures and Other Related Relief; and (C) Authorizing Alliance to Assume Certain Executory Contracts and Unexpired Leases and to Assign Such Contracts and Leases to Purchaser Crown Health Care Laundry Services, LLC [Docket No. 34]* (the “Sale Motion”).

7. On January 15, 2019, the Court entered an *Order Pursuant to Sections 363 and 105 of the Bankruptcy Code: (A)(1) Setting Deadline and Approving Requirements and Procedures for Interested Parties to Submit Competing Bids for*

Substantially All Assets of Debtor Alliance Laundry & Textile Services, LLC, d/b/a Clarus Linen Systems; (2) Approving Form of Purchase Agreement; (3) Scheduling an Auction; (4) Setting Hearing Date to Approve Sale of Assets to Successful Bidder; and (5) Approving Procedures With Respect to the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases; and (B) Approving Form an Manner of Notice (the “Bidding Procedures Order”) [Docket No. 134], which, among other things, authorized an auction sale (the “Auction”) of substantially all of Alliance’s assets. On January 28, 2019, Alliance filed and served a Notice Clarifying the Bidding Procedures for the Sale of Substantially All Assets of Alliance Laundry & Textile Service, LLC d/b/a Clarus Linen Systems [Dkt. No. 159] (the “Clarification Notice”), which, among other things, advised that Alliance would accept separate bids for Excluded Assets², including the Atlanta PP&E.

8. No competing bids were received for the Crown Assets. By the February 4, 2019 Bid Deadline, however, Alliance received Qualified Bids for the Atlanta PP&E, and certain other Excluded Assets, from AMCP Clean Acquisition Company, LLC (“AMCP”) and Children’s Holding Group, LLC (“CHG”).

9. On February 7, 2019, Alliance conducted an Auction of the Atlanta PP&E and certain Excluded Assets in accordance with the Bidding Procedures and Clarification Notice. A summary of the Auction proceedings is contained in the Smith Declaration.

² Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Sale Motion, the Bidding Procedures Order or the Crown APA.

10. As set forth in the Smith Declaration, at the conclusion of the Auction, Alliance, in consultation with SSG and HSCB Bank USA, National Association, determined that the bid for the Atlanta PP&E submitted by AMCP in the amount of \$525,300.00 was the highest and best offer for the Atlanta PP&E and AMCP was determined to be the Successful Bidder for the Atlanta PP&E. The bid in the amount of \$520,300.00 submitted by CHG was designated as the Backup Bid. Alliance and AMCP are in the process of finalizing the terms of an asset purchase agreement governing the sale of the Atlanta PP&E (the "AMCP APA").

11. As there were no competing bids received for the Crown Assets, Crown was determined to be the Successful Bidder for the Crown Assets. In accordance with the terms of the Crown APA, Alliance has agreed to assume and assign to Crown six customer contracts specified by Crown. Based upon the purchase price methodology set forth on Appendix 2.1 of the Crown APA, the purchase price for the Crown Assets will be determined at closing, but is calculated to be approximately \$3,619,714.78.

12. Based upon the information contained in the Smith Declaration, Alliance respectfully submits that the sales of the Crown Assets and the Atlanta PP&E, and the Auction, were conducted properly and in good faith, and the selections of the offer by Crown and the bid AMCP as the highest and best offers for the respective assets provide the greatest benefit to the Alliance estate. At the Sale Hearing, Alliance will respectfully request that the Court enter two separate Orders granting the Sale Motion and approving (i) the sale of the Crown Assets to Crown in accordance with the terms of the Crown APA, and (ii) the sale of the Atlanta PP&E to AMCP in accordance with the AMCP APA and designating CHG as the Atlanta PP&E Backup Bidder.

WHEREFORE, Alliance respectfully requests that the Court enter an Orders, pursuant to sections 105(a), 363 and 365 of the Bankruptcy Code,

- (i) granting the Sale Motion;
- (ii) approving and authorizing the sale of the Crown Assets to Crown Health Care Laundry Services, LLC, in accordance with the terms of the Crown APA, for a purchase price of approximately \$3,619,714.78;
- (iii) approving and authorizing the sale of the Atlanta PP&E to AMCP Clean Acquisition Company, LLC, in accordance with the terms of the AMCP APA, for a purchase price of \$525,300.00;
- (iv) approving Children's Holding Group, LLC as the Backup Bidder and its bid in the amount of \$520,300.00 as the Backup Bid for the Atlanta PP&E;
- (v) authorizing Alliance to take all appropriate steps to consummate the proposed sale transactions; and
- (vi) granting such other and further relief as the Court deems just and proper.

Dated: February 11, 2019
Syracuse, New York

BOND, SCHOENECK & KING, PLLC

By:


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